

**United States Senate Committee on Banking,
Housing and Urban Affairs**

Committee Hearing

**Examining the State of the Domestic Automobile
Industry**

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Robert Nardelli

Chairman & CEO

Chrysler LLC

(Oral Submission)

Following is the text of prepared oral testimony by Bob Nardelli, Chairman and CEO of Chrysler LLC.

I appreciate the opportunity to represent the one million people who depend on Chrysler for their livelihoods. Before I answer your questions regarding our loan request, let me state clearly why we're here: Chrysler requests a \$7 billion loan to bridge the current financial crisis.

In exchange, Chrysler is committed to: continue our restructuring, including negotiating cost-saving concessions from all constituents; investing in fuel-efficient cars and trucks that people want to buy and beginning repayment of our government loan in 2012. I also want to reinforce the need for Chrysler Financial to receive immediate assistance from TARP – as its continued vitality is a critical assumption to our plan.

Chrysler requires this loan to get back to our transformation that began just over one year ago. As a newly independent company in 2007, Chrysler was on track for financial profitability. Since August of 2007, we have eliminated more than 1.2 million units, or 30 percent of our capacity. We reduced our fixed costs by \$2.4 billion and separated more than 32,000 workers, including 5,000 on the Wednesday before Thanksgiving. And at the same time, we invested more than half a billion dollars in product improvements in our first 60 days, improved our J.D. Power quality scores and reduced our warranty claims by 29 percent. As a result, through the first half of 2008, Chrysler met or exceeded its operating plan and ended the first half of the year with \$9.4 billion in unrestricted cash.

We are here because of the financial crisis that started in 2007 and accelerated at the end of the second quarter of 2008. As consumer confidence fell and credit markets remained frozen, the lowest U.S. auto sales in more than 20 years put tremendous pressure on our cash position. U.S. industry sales fell from 17 million a year in 2007, to a monthly annualized rate of 10.5 million last month – a 6.5 million unit decline.

What does that mean for Chrysler? At 10 percent market share, it translates to a loss of 650,000 vehicles, or roughly \$16 billion in lost revenue opportunity. With such a huge hit to our sales and revenue base, Chrysler requires the loan to continue the restructuring and fund our product renaissance.

Chrysler has a sound plan for financial viability that includes shared sacrifice from all constituents. We have identified approximately \$4 billion of potential cost savings and improvements that have been included in our plan. We are committed to negotiate with all constituents to achieve our savings targets. Our plan also includes producing high-quality, fuel-efficient cars and trucks that people want to buy, while supporting our country's energy security and environmental sustainability goals.

For the 2009 model year, 73 percent of our products will offer improved fuel economy compared with 2008 models. We plan on launching additional small, fuel-efficient vehicles. ENVI is our breakthrough family of all-electric and range-extended electric vehicles – similar to the one parked outside.

Chrysler's long-range product plan is robust, realistic and green. The plan features 24 major launches from 2009 through 2012. It includes a hybrid Ram truck and our first electric-drive vehicle in 2010 with three additional models by 2013.

A key feature of Chrysler's future is our capability as an electric vehicle company. Through our GEM neighborhood electric vehicle division, Chrysler is the largest producer of electric-drive vehicles in the U.S. today. Combined with the new products from our ENVI group, we expect that 500,000 Chrysler electric-drive vehicles will be on the road by 2013.

Chrysler will continue to aggressively pursue new business models that include alliances, partnerships and consolidations. This model is currently successful in helping Chrysler increase the efficient utilization of our manufacturing capacity. For example, in North America today, Chrysler manufactures all Volkswagen minivans, and beginning in 2011, we will produce all Nissan full-size trucks.

With government collaboration, our industry can accelerate how America drives cutting-edge technology. An Automotive Energy Security Alliance would: coordinate public and private spending already devoted to advanced vehicle technologies; produce basic technology available to all manufacturers; work with national labs and major research universities and draw private investment to meet our national energy and environmental goals. Such an alliance would help ensure that as a country, we do not trade our current dependence on foreign oil for a future dependence on foreign technologies.

I recognize that this is a significant amount of public money. However, we believe this is the least costly alternative considering the depth of the economic crisis and the options we face.

Thank you.